

Message Text

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C O N F I D E N T I A L TEL AVIV 8229

E. O. 11652: GDS

TAGS: ECON, ETRN, IS

SUBJECT: CIVILIAN SUPPLY AND DISTRIBUTION SITUATION.

1. SUMMARY. GOI ECONOMIC OFFICIALS TELL US CIVILIAN ECONOMY OPERATING AT REDUCED BUT SATISFACTORY LEVELS WITH FIRST PRIORITY GOING TO KEEPING POPULATION SUPPLIED WITH BASIC NECESSITIES. INTERNAL TRANSPORT IS PRINCIPAL BOTTLENECK. MOST IMPORTANT SHIPMENTS ARRIVING AS SCHEDULED BUT SOME CRITICAL ITEMS, NOTABLY SOYBEANS, SHORT BECAUSE SHIPS DIVERTED FROM ISRAELI PORTS. EXPORT BY SEA DOWN PRESUMABLY BECAUSE OF LACK OF INTERNAL TRANSPORT. AIR FREIGHT EXPORTS ARE PROCEEDING MORE OR LESS NORMALLY. INTERNALLY, MOBILIZATION OF TRUCKS HAS MEANT SHORTAGE OF VEHICLES TO DISTRIBUTE CIVILIAN COMMODITIES TO RETAIL POINTS. SITUATION WAS MORE OR LESS UNDER CONTROL BECAUSE AVAILABLE TRNSPORT WAS BEING STRICTLY CONTROLLED BY GOVT. OUTLOOK FOR NEXT TWO-THREE WEEKS WAS GENERALLY SATISFACTORY; BUT LONGER-TERM OUTLOOK, IF WAR CONTINUED, WAS PROBLEMATIC. END SUMMARY.

2. DIRECTOR GENERAL OF MINISTRY OF COMMERCE AND INDUSTRY
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(LAHAV), WHO IS RUNNING MINISTRY SINCE MINISTER, GEN BAR-LEV

WAS MOBILIZED, DESCRIBED FOR EMBOFFS MAY 15 CIVILIAN SUPPLY OUTLOOK FOR NEXT TWO-THREE WEEKS. HE LOOKED TIRED AND TENSE, BUT WAS BASICALLY OPTIMISTIC.

(A) INSOFAR AS VOLUME CIVILIAN SUPPLIES IN COUNTRY WAS CONCERNED, SITUATION WAS REASONABLY GOOD. AS CONCERNS FOOD AND FEED, MOST SERIOUS SHORTAGE WAS SOYBEANS, WHICH WOULD NOT HAVE BECOME CRITICAL HAD WAR NOT BROKEN OUT, SINCE CARGOES WERE ON WAY. BUT NOW THERE IS SERIOUS PROBLEM IN GETTING SOYBEANS TO ISRAEL (SEE BELOW). NEXT MOST SERIOUS SHORTAGES WERE OF FEEDGRAINS AND SUGAR, BUT THE STOCKS OF THESE WERE IN MUCH BETTER SHAPE. HE SAID WHEAT, FRUITS, VEGETABLES, BREAD, AND MILK WERE ALL OKAY FOR NOW.

(B) SITUATION WITH REGARD TO INDUSTRY WAS NOT QUITE AS GOOD. HE COULD NOT ESTIMATE LEVEL OF INDUSTRIAL PRODUCTION VIS-A-VIS NORMAL WEEK ANY CLOSER THAN TO SAY THAT IT WAS LESS THAN 80 PERCENT AND MORE THAN 20 PERCENT; HE REALLY DID NOT KNOW. TRANSPORTATION IS MAIN BOTTLENECK. INTERNAL TRANSPORT IN ISRAEL IS MAINLY BY TRUCK, AND THESE ARE IN SHORT SUPPLY DUE TO MOBILIZATION. SITUATION IS MORE OR LESS UNDER CONTROL, BECAUSE AVAILABLE TRANSPORT IS BEING STRICTLY CONTROLLED BY GOVT UNDER PRIORITY SYSTEM WHICH CONCENTRATES FIRST ON MILITARY INDUSTRY, THEN FOOD SUPPLIES. (FROM OTHER SOURCES, EMBASSY UNDERSTANDS VOLUNTEERS ARE ALSO HELPING IN RETAIL DISTRIBUTION.)

(C) LAHAV SAID THAT SITUATION WAS ESSENTIALLY NORMAL FOR THOSE EXPORTS WHICH NORMALLY GO BY AIR, E.G. VEGETABLES TO EUROPE (ALSO DIAMONDS). SHIPPING FOR BOTH IMPORTS AND EXPORTS, HOWEVER, IS STILL UNCERTAIN. WHILE ISRAEL-FLAG SHIPPING COULD BE RELIED UPON TO STICK TO SCHEDULE, HE NEVER COULD BE SURE WHETHER FOREIGN-FLAG SHIPPING WOULD BE ON TIME OR BE DIVERTED ELSEWHERE. (D) LONGER-TERM OUTLOOK WAS MORE PROBLEMATIC; NO ONE REALLY KNEW WHAT PROBLEMS WOULD BE LIKE IF WAR WENT ON MORE THAN FEW WEEKS.

3. ACCORDING TO LAOR, AUTHORITATIVE SOURCE IN MIN OF C&I, SOYBEAN STOCKS ON HAND IN ISRAEL SUFFICIENT FOR ONLY ABOUT TWO WEEKS. THREE FOREIGN-FLAG (NON-AMERICAN) VESSELS, WHICH WERE EN ROUTE TO ISRAEL, EACH LOADED WITH FROM 7-10 THOUSAND TONS SOYBEANS, HAVE REFUSED TO ENTER ISRAELI PORTS. TWO OF THE THREE SHIPS DOCKED AT OTHER, PRESUMABLY MEDITERRANEAN PORTS, AND ANOTHER IS STILL ON HIGH SEAS. AT LEAST TWO OF THREE SHIPMENTS ASSUMED TO HAVE ORIGINATED IN BRAZIL. ONE SHIP WILL COMPLETE LOADING OF
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SOYBEANS IN U.S. TODAY AND IS EXPECTED IN ISRAEL WITHIN TWO WEEKS; IT IS LIBERIAN FLAG AND HAS ALLEGEDLY PROMISED TO ENTER ISRAELI PORT. ITS ARRIVAL, ALONG WITH CURRENT SUPPLIES WILL MEET ISRAELI SOYBEAN MEAL NEEDS FOR THE NEXT THIRTY DAYS. ADDITIONAL SHIPMENTS OF SOYBEANS WILL NEED TO DEPART FOR ISRAEL WITHIN TWO WEEKS IN ORDER TO ASSURE A CONTINUOUS SUPPLY OF SOYBEAN MEAL FOR LIVESTOCK FEEDING, PARTICULARLY POULTRY. ISRAEL CAN DIVERT SOME OF COTTONSEED CROP CURRENTLY BEING GINNED TO FEED USE (AT EXPENSE

OF EXPORTS), WHICH WOULD STRETCH FEED SUPPLIES, BUT COTTONSEED IS NOT FULL SUBSTITUTE FOR SOYBEAN MEAL IN POULTRY RATIONS.

4. REPORT OF PORTS AUTHORITY TO MIN TRANSPORT ON OPERATIONS DURING PERIOD OCTOBER 7-14 INDICATES EXPORTS MORE SHARPLY HIT THAN IMPORTS. DURING THESE EIGHT DAYS 9,000 TONS OF EXPORTS FREIGHT WERE ACTUALLY HANDLED AS AGAINST NORMAL EXPECTATION OF 50,000 TONS. PRESUMABLY, SHORTAGE OF INLAND TRANSPORT IMPEDED EXPORTS. ON IMPORT SIDE 116,000 TONS (INCLUDING 52,000 TONS OF GRAIN FOR DAGON SILO AT HAIFA) WERE HANDLED AS AGAINST EXPECTATION OF 135,000 TONS. PROBLEM OF TRANSPORT FROM PORTS NOW ARISES.

5. ON LABOR FRONT MILITARY INDUSTRIES CONTINUETO HAVE PRIORITY. ELECTRONICS FIRMS HAVE NOT BEEN HARD HIT SINCE THEY EMPLOY MAINLY FEMALE PRODUCTION WORKERS. PRESS TODAY REPORTS THAT MEN EMPLOYED IN KEY DEFENSE INDUSTRIES LIKE METAL-WORKING WILL BE RELEASED FROM ARMY.

6. AT RETAIL FOOD LEVEL THERE WAS WAVE OF BUYING DURING FIRST FEW DAYS OF WAR; THIS HAS NOW SUBSIDED: SHELVES ARE STILL SOMEWHAT SPARSELY STOCKED BUT THIS IS ATTRIBUTED TO DISTRIBUTION AND MANPOWER DIFFICULTIES. THERE IS NORMALLY HEIGHTENED DEMAND FOR FOOD DURING HIGH HOLY DAYS.

7. MOST OTHER BUYING IS DOWN WITH EXCEPTION OF MEN'S ACCESSORY ITEMS (FOR SHIPMENT TO SOLDIERS AT FRONT), TV SETS AND TRANSISTOR RADIOS (TO FOLLOW WAR MORE CLOSELY)--AND TRANQUILIZERS. KEATING

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